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DIRECTORATE OF
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State Department review completed

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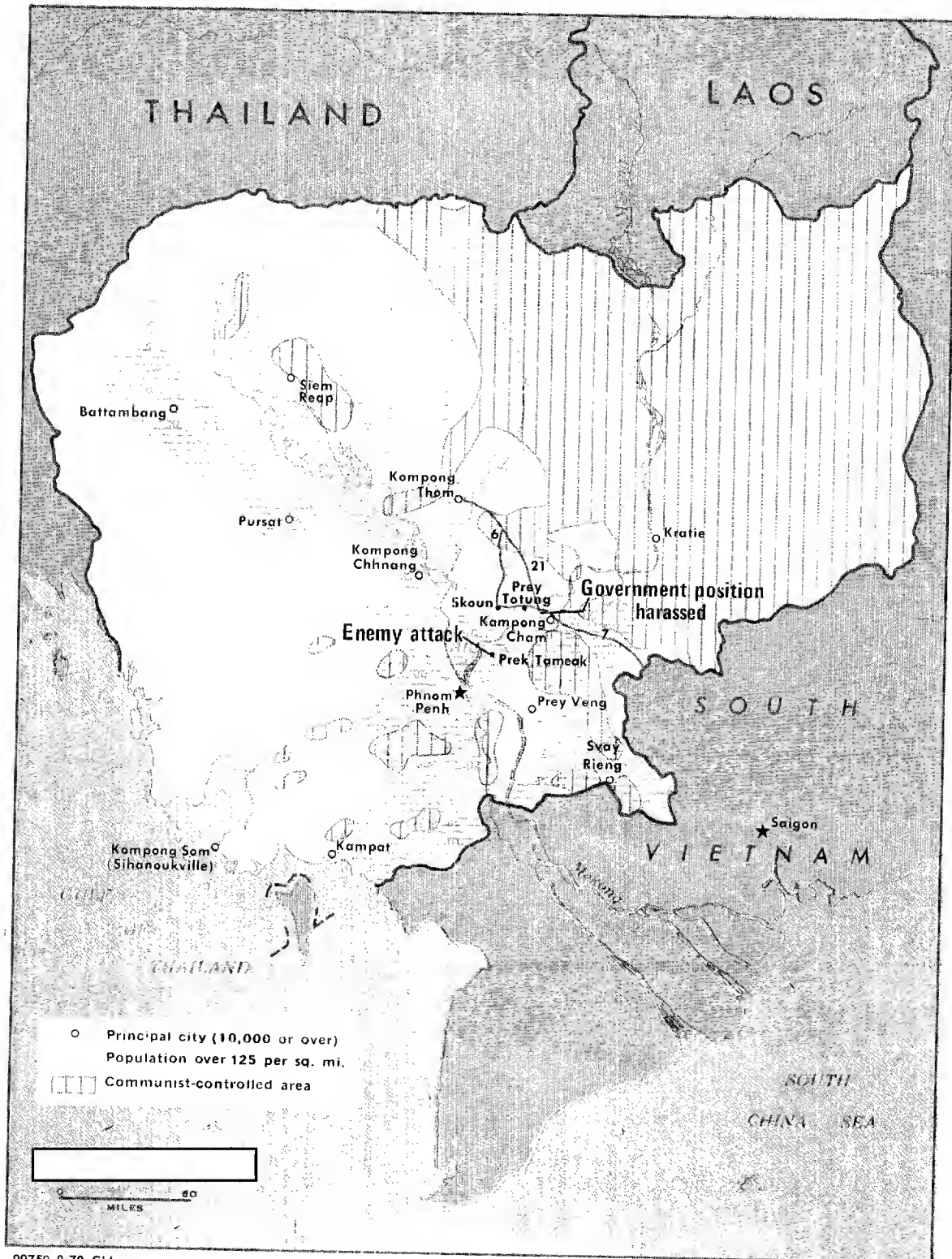
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CAMBODIA: Current Situation



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Cambodia: Communist forces are still probing and harassing government positions on the northern approaches to Phnom Penh.

A multicompany enemy force struck elements of a government battalion at Prek Tameak, 16 miles northeast of the capital, on 18 August. Cambodian and South Vietnamese naval units and a gunship joined the engagement, which lasted for two hours but resulted in few government casualties. Continuing attacks in this area suggest that the enemy may be attempting to clear the east bank of the Mekong, and government commanders in Phnom Penh are concerned about Communist intentions toward the capital.

The Communists have increased activity near Kompong Cham city, although there does not appear to be any serious immediate threat to the city itself. A government post at the junction of Routes 7 and 21, ten miles west of the city, was harassed on 18 August. This position had been attacked several weeks ago when government positions at Skoun and Prey Totung were under strong attack by enemy forces attempting to sever overland access to Kompong Cham.

Radio Peking has broadcast another of Sihanouk's lengthy messages; this one addressed to Cambodia's "intellectuals." He berates those who believe that his ouster would be beneficial to the country, and contrasts the accomplishments under his rule with the tribulations Cambodia is presently enduring. He again vowed to return to Cambodia in the "near future," but was no more specific than in the past on when that might be. Although far from vintage Sihanouk, the statement does not bear the heavy imprint of his Chinese hosts, and is further evidence of the extent to which Sihanouk's actions are motivated by a desire for personal vindication and revenge against those who deposed him.

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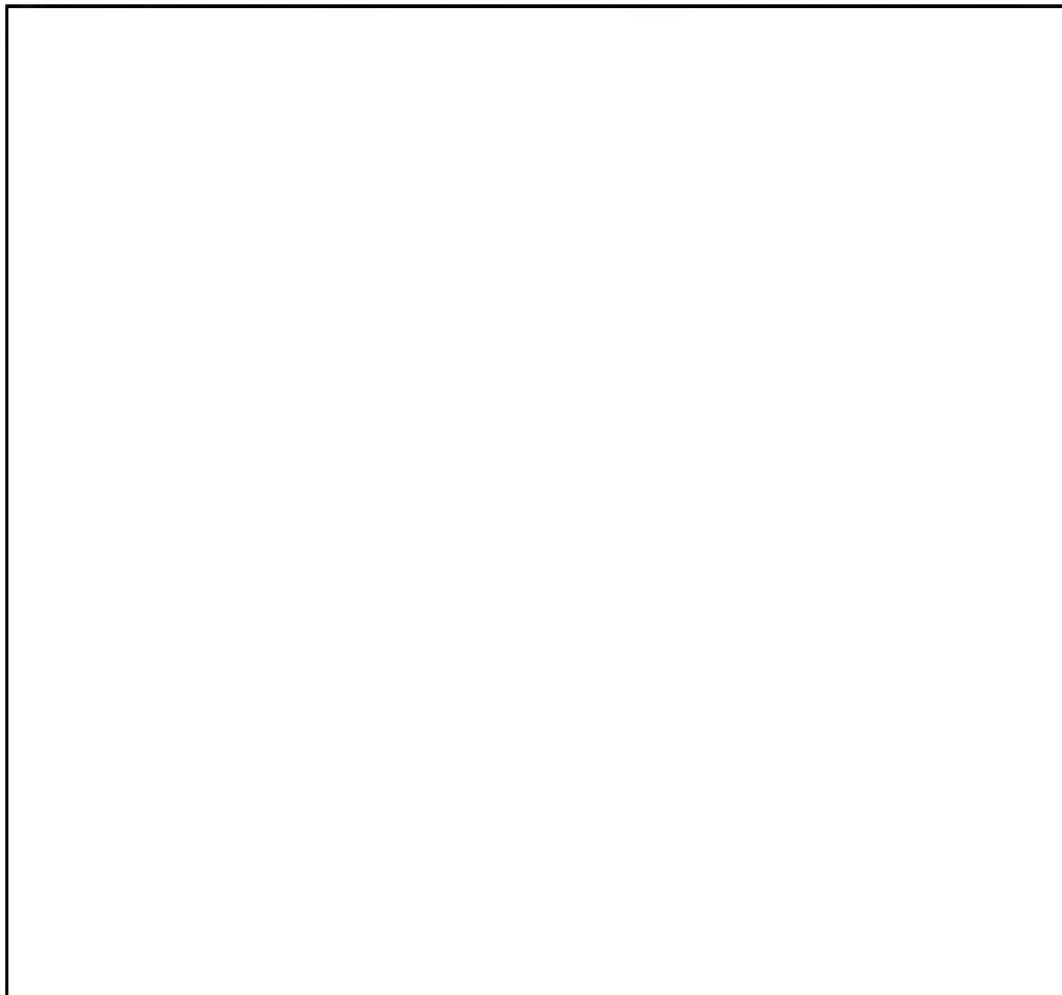
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South Vietnam: The Thieu government for the first time in several months is being criticized by political figures who have not been associated with the opposition.

Much of the criticism is directed at the government's performance in the economic field and its failure thus far to secure legislative approval for its request for special decree powers to deal with the country's pressing economic problems. The legislation has been stalled in the Upper House, and there are indications that a majority of the senators are prepared to vote against the measure.

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Australia: The new military budget is consistent with Canberra's continuing commitment to a regional defense role.

The proposed budget for fiscal year 1971, presented to Parliament on 18 August, totals \$1.3 billion, a modest 3.1-percent increase over last year. Although the draft budget reaffirms the withdrawal of one battalion and some support personnel from Vietnam, the over-all overseas defense outlay--in the form of military aid to Malaysia, Singapore, and Vietnam--will not be cut. The government probably calculates that the British decision for a continued military presence east of Suez, acknowledged in the budget message, makes possible the maintenance of a forward posture without the need for an increase in foreign expenditures.

Most of the increase in the military budget will be directed toward adding [] men to Australia's current military strength []

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USSR - Eastern Europe: Party and government leaders of the Warsaw Pact countries are meeting in Moscow to discuss and to coordinate their next moves on West Germany and European security.

The East European delegations arrived in Moscow yesterday and will probably begin formal talks today. Now that the Soviets have achieved an agreement with Bonn, they probably want to coordinate policy moves with their allies at the summit level. The decision to proceed with negotiations with Bonn was formally agreed upon at a similar meeting last December.

The Soviet - West German treaty cleared the way for the conclusion of similar treaties between the West Germans and the Poles, East Germans, and Czechoslovaks. The next round of Polish - West German negotiations, which are already far advanced, is scheduled for early September. Pankow too has begun a dialogue with Bonn, and within the last few days the Czechoslovaks have hinted at their willingness to open talks. The Soviets will want to coordinate these developments, and a summit meeting will serve to lend them formal bloc approval.

The meeting will also give Moscow an opportunity to renew its efforts for a conference on European security. The Soviets probably intend to use the treaty with Bonn to add impetus to their campaign for such a conference. The Soviet press has already argued that the treaty should satisfy Western demands that progress on specific issues precede a security conference, and a summit meeting might issue a formal statement to this effect. The Soviets may also take the opportunity to brief their allies on the recently concluded SALT round.

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Chile - Communist China: Chile is increasing its contacts with Communist China.

Under Secretary of Agriculture Amunategui will make a twelve-day visit to Communist China soon after the presidential election on 4 September. This will follow up an earlier visit by the agricultural marketing official who played a major role in the recent restoration of Chilean trade with Cuba. Amunategui told US officials that he will search for products that Chile can buy in order to maintain its sales of high-cost natural nitrate to China, the only remaining significant market for what was once Chile's major export.

The Chinese also have bought Chilean copper and would like more. When President Frei inaugurated a new mine in late July, he noted especially to reporters the enormous potential of Communist China, with which he said Chile would be trading in the future.

Communist Chinese representatives have been invited to a conference of Pacific Ocean countries to be held in Chile in September under the auspices of a confidant of Foreign Minister Valdes.

In 1965, Chile abstained on the question of Communist Chinese membership in the United Nations, the first Latin American country except Cuba to do so. Although it maintains relations with Nationalist China, the Frei government in 1965 approved the establishment of what is now the only Communist Chinese trade mission in Latin America outside Havana.

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Czechoslovakia: Neither the regime nor the public appears to expect anti-Soviet demonstrations on tomorrow's second anniversary of the Warsaw Pact invasion. Security forces have taken precautionary steps to prevent demonstrations, including mobilizing extra patrols and limiting access to potential rallying points in major cities. Leaflets appearing in Prague have called for a quiet evening boycott of public establishments and for a self-imposed curfew and blackout. Such tactics appear designed to preclude the clashes with the police that occurred last year. This approach should be a welcome compromise for the Husak regime, which has only a fragile truce with party conservatives who favor harsher repressive tactics. [REDACTED]

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Tunisia-Libya: Relations between the two mutually suspicious Maghreb neighbors seem to be improving as a result of two recent visits by Tunisian officials to Libya and the promise that Qaddafi will visit Tunis soon. In late June, Tunisian Prime Minister Ladgham and Foreign Minister Masmoudi attended Libyan ceremonies celebrating the US evacuation of Wheelus Air Base. Masmoudi's official visit last week provided an opportunity for a discussion of the full range of relations between the two governments and the signature of a three-year agreement for economic, technical, and cultural cooperation. [REDACTED]

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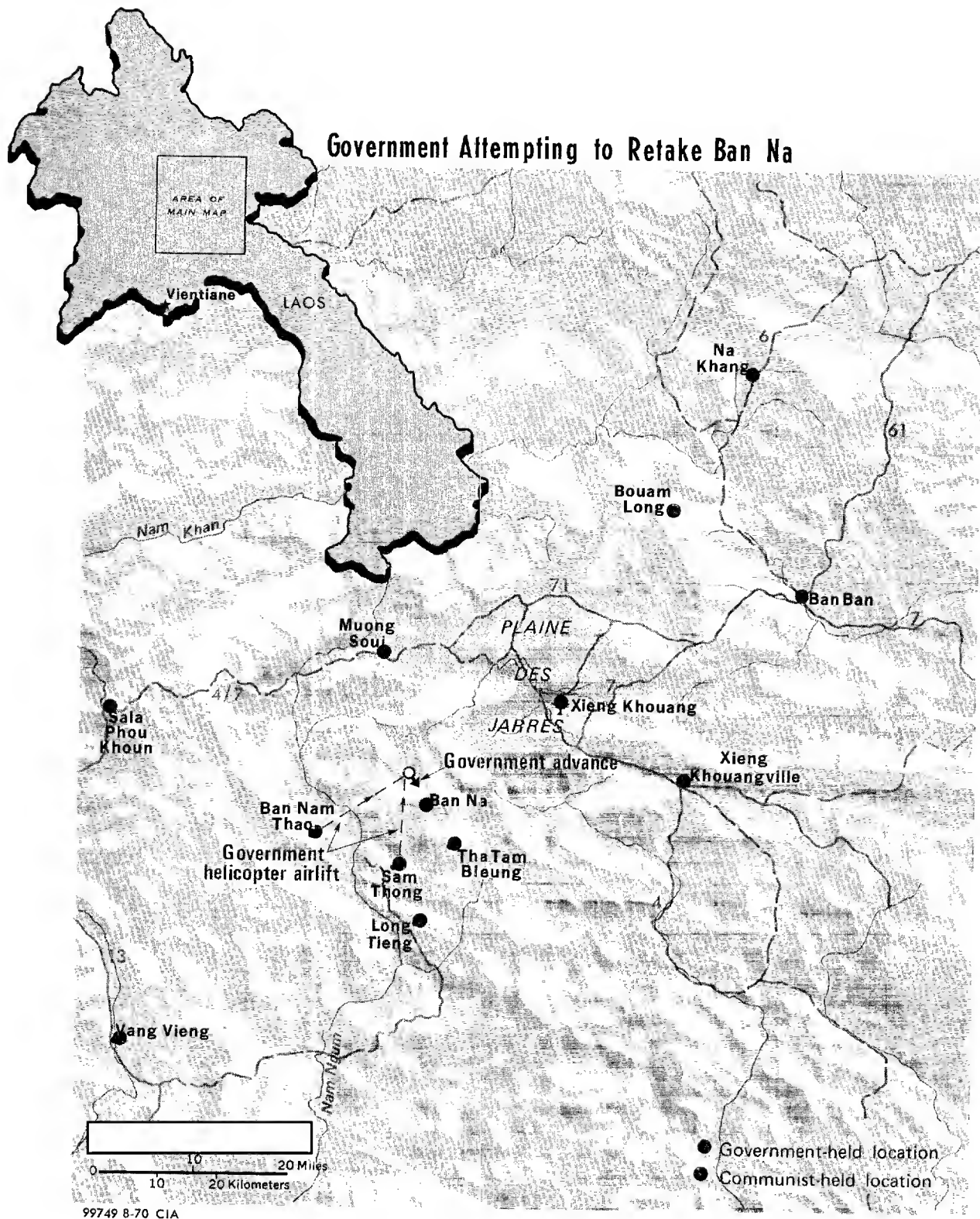
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Laos: Government forces southwest of the Plaine des Jarres have renewed their three-month effort to retake Ban Na, a small outpost located about 14 miles north of Long Tieng. General Vang Pao's previous drives toward Ban Na from the south have been turned back by stubborn opposition and counterattacks by the North Vietnamese. The latest attempt, begun on 18 August, involved a helicopter airlift of over 500 men to positions five miles north of the enemy stronghold; so far there has been little resistance. The effort to retake Ban Na is being described as the first step in a modest rainy season offensive in the north to improve the defenses of the Long Tieng complex.

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Cuba-Chile: The Cuban merchant ship that arrived in Chile earlier this month has departed for Cuba after loading 7,600 tons of foodstuffs, with 400 tons of beans reportedly of Argentine origin. This would be the first known shipment of Argentine products to Cuba since OAS sanctions were put in force in 1964. In addition, the ship is carrying two Brazilian terrorists accused of being involved in the kidnaping in June of the German ambassador in Rio de Janeiro and ten guerrillas who were exchanged by Bolivia for two West German hostages on 22 July.

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Jamaica: Prime Minister Shearer has become the first chief of state to reverse his decision to attend the nonaligned summit conference in Lusaka next month. Shearer told the US ambassador that he has now concluded that the conference would be of no importance. He also said that after "definitive meetings in Washington," a tour of African nations planned by him would be a waste of time. This leaves Guyanese Prime Minister Burnham as the only Western Hemisphere chief of state planning to attend the Lusaka meeting.

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Paraguay: More than 60 persons have been arrested in connection with a foiled plot to assassinate President Stroessner. Four persons, including two Uruguayans, an Argentine, and an Iraqi, were intercepted last Friday while attempting to enter Paraguay carrying small arms and a submachine gun. Interrogation led to the other arrests. The plot, in which only a few Paraguayans were involved, apparently was to assassinate the President during public ceremonies in Asuncion on 15 August. The frustrated assassination attempt may deter opposition criticism of the government's round-up this week of student leaders believed to be involved in planning political agitation. [REDACTED]

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